



April 17, 2012

The Honorable Frank Lucas, Chairman  
House Committee on Agriculture  
United States House of Representatives  
2311 Rayburn House Office Building  
Washington, D.C. 20515-3603

Dear Representative Lucas:

The Eastern Rural Telecom Association (“ERTA”) is a membership organization made up of local exchange companies (“LECs”) and support companies that provide telecommunications and broadband services to rural customers in the Eastern half of America.

The members of ERTA have made great strides over the past decades in bringing affordable telecommunications and broadband service to the customers of rural America in high cost territories that other companies chose not to serve. From a business case perspective, it has only been possible to serve many of these rural consumers due to rate-of-return (“RoR”) regulation and other cost recovery mechanisms and support revenues. With ERTA members serving fewer customers per square mile than more suburban and urban LECs, there is a much higher cost to serve each customer with telecommunications and broadband. It takes years for ERTA members to repay the debts incurred to serve consumers.

The Federal Communications Commission (“FCC”) released a massive reform Order on November 18, 2011. This Order also included numerous Proposed Rules in a Further Notice to make even more changes while the industry is still attempting to comprehend the economic impacts of the new rules.

The Order has established massive changes to Universal Service Fund (“USF”) support revenues and changes to intercarrier compensation support revenues. Without these support revenues, rural customers could not afford to pay the true cost of deploying telecommunications and broadband networks.

While LECs are still trying to determine the true impact of the FCC’s Order, these impacts on LECs and rural communities are certain:

- Network investment has stagnated
- Rural consumers will experience dramatic price increases
- Rural consumers will experience reduced service quality
- To offset support revenue losses, LECs have placed new jobs on hold and will have to consider layoffs

Even though not many LECs have filed waiver requests with the FCC, there will still be serious consequences to rural communities. The FCC's waiver process seems to be tailored to make it almost impossible to achieve a waiver. A rural community is better served by a LEC using funds to invest and provide jobs instead of paying massive funds seeking waivers.

ERTA members have invested in infrastructure with the anticipation that USF and intercarrier compensation would cover costs otherwise unaffordable for customers. Without sufficient and predictable universal service support and intercarrier compensation, it would have been uneconomic for ERTA members to provide telecommunications and broadband services, much less reach a majority of consumers in the rural areas of America. RoR regulation and cost recovery in access charges have provided the chance for many rural consumers to obtain voice and broadband services where a carrier would otherwise not be able to obtain capital because of an uneconomic business case. The result is almost universal connectivity in America.

ERTA is asking that you to ensure that the FCC does not cause further harm to consumers in rural America. The FCC should not implement changes proposed in their Further Notice without allowing sufficient time to understanding the impacts on rural communities and consumers.

Respectfully submitted,



Darby McCarty  
President  
Eastern Rural Telecom Association Board of Directors

cc: FCC Commissioners